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2001

Assisting business to create, maintain, and enhance employment opportunities for Nova Scotians

Economic Development

2001 102-07511/

Letter From the Chairman

The Honourable Gordon Balser

Minister, Economic Development

Province of Nova Scotia

Halifax, Nova Scotia

Dear Mr. Minister:

I am pleased to present, on behalf of the Board of Directors, the Annual Report of the Nova Scotia Business Development Corporation (NSBDC), including the March 31, 2001, audited financial statements of the Nova Scotia Business Development Corporation Fund. Also included in the report are the audited financial statements of the Industrial Expansion Fund, which Executive Council has assigned to NSBDC for administration.

During the year ended March 31, 2001, the Nova Scotia Business Development Corporation authorized financial assistance of $48.9 million to 19 business enterprises. This assistance was provided to companies throughout Nova Scotia and resulted in the creation, maintenance, and enhancement of employment opportunities for Nova Scotians. The businesses assisted by our support have annual payrolls of $18.5 million and sales of $220 million. The NSBDC ensures that companies throughout Nova Scotia have access to capital funding for start up or expansion. Companies supported by financial assistance from NSBDC have a significant economic impact. The operations of businesses in the NSBDC portfolio contribute over $45 million annually in tax revenue to the Province.

The NSBDC ensures that companies throughout Nova Scotia have access to capital funding for start-up or expansion.

I take this opportunity to express my thanks to the directors, officers, and staff for their support during the past year. We have endeavoured, as a Board, to fulfil the mandate entrusted to us. We believe that the financial assistance authorized by the NSBDC during the current year will have a positive impact on the economic future of Nova Scotia.

Respectfully submitted,

John Risley, Chair

Business Offices

Head Office

Nova Scotia Business Development Corporation
6th Floor, World Trade & Convention Centre
1800 Argyle Street
P.O. Box 519
Halifax, Nova Scotia
B3J 2R7
Telephone: (902) 424-6488
Fax: (902) 424-6823

Regional Offices

Cape Breton
338 Charlotte Street
Sydney, B1P 5Y9
Tel: 563-2070
Fax: 563-0500

Northeastern
35 Commercial St.,
Suite 101
Truro, B2N 3H9
Tel: 893-6150
Fax: 893-6108

Board of Directors and Officers

Board of Directors

John Risley, Chair
Kenneth Anderson
Barry Bartlett
Myra Jerome
Yvonne Thyssen-Post

Officers

Roy Sherwood, P.Eng.
President and Chief Executive Officer

Marvyn Robar, CA.
Director, Finance, Investment and Regional Lending

Andrew Hare, CA.
Director, Lending and Special Projects

Introduction

The corporate authority granted to the Nova Scotia Business Development Corporation (NSBDC) is contained in the Business Development Corporation Act. This authority is expressed as follows: There is hereby established a body corporate to be known as the Nova Scotia Business Development Corporation. The Corporation shall be managed by a Board of Directors composed of such members as are appointed by the Governor in Council. The object and purpose of the Corporation is to encourage business development in the Province including, without limiting the generality of the foregoing, a tourism or tourism-related business, and thereby promote business growth and employment opportunities by rendering to business financial assistance or such other assistance as may be determined by the Governor in Council.

...to encourage business development in the Province...

The Nova Scotia Business Development Corporation was established under the Business Development Corporation Act, which was passed and proclaimed effective April 1, 1988. The Corporation, through its Board of Directors, is responsible for the Nova Scotia Business Development Corporation Fund. In addition, Executive Council has directed the Nova Scotia Business Development Corporation to administer financial assistance proved under the Industrial Development Act (Industrial Expansion Fund) and Venture Corporations Act. The Nova Scotia Business Development Corporation reports to the Legislature through: The Honourable Gordon Balser, Minister of Economic Development

Responsible for the Nova Scotia Business Development Corporation

Nova Scotia Business Development Corporation Loan Distribution

Industrial Expansion Fund Loan Distribution

Management Discussion and Analysis

Overview of Portfolio Loans, Shares, and Guarantees

NSBDC administers a diverse portfolio of accounts that includes loans, shares, and guarantees provided to business to encourage economic development and to create and enhance employment opportunities in Nova Scotia. The Corporation also owns and manages a number of industrial parks and malls.

As at March 31, 2001, the portfolio consisted of over 220 accounts aggregating $174 million plus $9 million in guarantees. These guarantees have been provided to chartered banks to support the credit facilities of 10 companies.

A listing of the Corporation's clients is provided in Appendix 1.

Financial assistance has been provided to businesses located throughout Nova Scotia. The maps opposite illustrate the distribution of financial assistance on a map of Nova Scotia.

...administers a diverse portfolio of accounts... provided to business to encourage economic development

The Halifax metropolitan area accounts for approximately 10 per cent of the assistance outstanding. Traditionally businesses outside of metropolitan areas, business start ups, and those firms using specialized manufacturing equipment have had difficulty accessing commercial financing due to higher location risks and lack of liquidity of the underlying security. NSBDC fills this gap in the spectrum of financing vehicles available to business. The Corporation ensures that all businesses throughout the province have equal access to capital for expansion and start up regardless of location.

The primary focus of lending activity is directed to manufacturers and processors. Economic development efforts have traditionally targeted manufacturing companies because these companies pay above-average wages and create considerable spin-off employment. In addition, the tourism sector is a focus of our activity as tourism generates significant employment in rural areas. Food processing firms make up the largest component of the portfolio. These firms are involved in producing value-added products by processing fish, meat, poultry, vegetables, and fruits. Fabricated metal products and wood industries are other sectors to which significant financial assistance has been provided. All are located in rural Nova Scotia.

The businesses that the Corporation assists in establishing and expanding in Nova Scotia have a

significant impact on the economy. In aggregate, the companies in the NSBDC portfolio employ over 10,000 Nova Scotians across the province and have annual payrolls of $220 million. In many cases, these companies are the major employer in a community and are the source of that community's prosperity.

The businesses assisted generate over $1.3 billion a year in sales of which 70 per cent is export sales. In addition to directly employing 10,000 Nova Scotians in smaller communities throughout Nova Scotia, there is considerable additional employment, estimated to be another 12,000 jobs, created through spin-off employment due to the focus on the manufacturing and processing sector.

There is a significant benefit to the province as a result of the Corporation's funding of these businesses. Based on the wages earned by these 22,000 Nova Scotians, we estimate that the province will receive an additional $45 million annually, every year, in direct income taxes which would not be available but for the operations of these companies.

The Corporation does not present a statement of earnings as all revenues received are credited to the Department of Finance and all operating expenses are charged to the Department of Economic Development. However, a pro-forma statement of economic impact can be formulated. Based on an analysis of the Corporation's major clients, the following pro-forma statement of economic impact has been constructed.

NSBDC Pro-Forma Statement of Economic Impact

Revenue	
Estimated direct and indirect tax revenue from earned household income	$45,000,000
Interest income	9,000,000
	54,000,000
Expenses	
Imputed interest cost on loan portfolio @7%	14,000,000
Operating costs	1,600,000
Average annual write-off	4,600,000
	20,200,000
Incremental tax revenue to Province of Nova Scotia	$33,800,000

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Concessionary assistance and allowance for doubtful accounts

NSBDC has provided financing on concessionary terms to certain clients as a component of financial restructuring or as incentives for investment. Such financial arrangements were put in place to assist clients experiencing financial difficulties to restructure their debt while allowing them to maintain operations and continue to employ Nova Scotians. Concessionary features may involve extended repayment terms, reduced interest rates, and financing structured as income bonds or preferred shares. Provision for concessionary assistance decreased by $4 million due primarily to earned forgiveness on one large account. The general allowance for doubtful accounts increased by $5 million to reflect the current difficult conditions experienced by certain sectors and for certain specific accounts.

...to assist clients experiencing financial difficulties to restructure their debt while allowing them to maintain operations and continue to employ Nova Scotians.

Industrial parks and other assets

NSBDC administers 17 industrial parks having a net value of $22 million. These parks consist of land in various stages of development, from undeveloped to fully developed and serviced lots. Approximately 5,500 acres (2225 ha) of land is under administration. The parks also include buildings, eight of which are used as incubator malls.

Assistance authorized but unadvanced

When financial assistance is authorized by the Corporation, it is immediately recognized as a commitment of the fund. As large percentage of the financial assistance authorized relates to the construction of capital assets, there can often be a considerable period of time from the date of authorization to the date of disbursement as projects begin and assets are constructed. Consequently there are always outstanding amounts for which the fund is potentially committed. As at March 31, 2001, $53 million in financial assistance has been authorized by the Corporation but has yet to be drawn down by clients.

2000–01 Lending Activity

During the year the Corporation approved 19 authorizations for loans, guarantees, and shares, totalling $48.9 million. It is estimated that the provision of this financial assistance contributed to the enhancement, creation, and maintenance of direct employment opportunities for 1,284 Nova Scotians. The companies that have been assisted pay $18.5 million annually in wages and have sales of $220 million.

During the year the Corporation approved 19 authorizations for loans, guarantees, and shares, totalling $48.9 million.

Appendix 2 lists the companies, amount of assistance authorized, and a general description of the use of funds.

Financial assistance was provided primarily in the form of loans for fixed asset acquisitions and for share subscriptions (Table 1).

Table 2 provides information on the sectors to which financial assistance was provided together with the estimated employment associated with the assistance. As in past years, financial assistance was directed primarily at the manufacturing and processing sector, primarily in the food processing sector. Table 3 provides details on the geographic distribution of authorizations.

Table 1

Purpose of 2000-01 Authorizations

Purpose of Authorizations	Number	Amount
Loans	17	$47,892,000
Shares	2	1,075,000
TOTAL	19	$48,967,000

Accounts Written Off

Fifteen accounts were written off during the current fiscal year, totalling $9,485,000. The major components of this amount are $2.746 million in respect of Crossley Carpets relating to loan forgiveness based on employment targets and $2.691 million relating to Mentor Networks/ITC Canada, a failed software developer. All amounts had been previously provided for in the financial statements of the Corporation.

Industrial Parks and Properties

Capital projects of $621,000 were undertaken during the year for infrastructure improvements to industrial parks. Sales from industrial land totalled $2,541,000, reflecting the increased offshore activity in the Halifax metropolitan area.

Cash Flow and Revenues

During the current year, $24 million was advanced on authorized financial assistance for loans. $19.5 million was received in repayments on loans and shares. Interest revenue of $10.4 million was earned from the portfolio during the fiscal year.

Table 2

Financial Assistance by Sector - 2001

Sector	Amount	Percentage	Employment
[illegible]	[illegible]	[illegible]	218
Food Processing	[illegible]	79.54%	453
Pharmaceutical	5,000,000	10.21%	0
Textiles	75,000	0.15%	36
Plastics	135,000	0.28%	57
Other Manufacturing	1,679,500	3.43%	117
Other	91,000	0.19%	10
Tourism	360,000	0.74%	67
Wood	1,475,000	3.01%	328
Total	48,967,000	100.00	1,284

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Table 2

Financial Assistance by Sector - 2001

Sector	Amount	Percentage	Employment
Fish Processing	1,201,500	2.45%	216
Food Processing	38,950,000	79.54%	453
Pharmaceutical	5,000,000	10.21%	0
Textiles	75,000	0.15%	36
Plastics	135,000	0.28%	57
Other Manufacturing	1,679,500	3.43%	117
Other	91,000	0.19%	10
Tourism	360,000	0.74%	67
Wood	1,475,000	3.01%	328
Total	48,967,000	100.00	1,284

Table 3

Authorizations by County

No. of Loans	County	Amount Approved	Employment
1	[illegible]	[illegible]	[illegible]
1	Cape Breton	250,000	50
3	Colchester	1,475,000	107
1	Cumberland	38,850,000	450
2	Digby	1,050,000	184
4	Halifax	1,289,500	285
1	Hants	110,000	60
2	Kings	5,091,000	10
1	Lunenburg	250,000	7
2	Yarmouth	226,500	68
19		48,967,0 00	1,284

Industrial Expansion Fund

There was limited activity during the year in the Industrial Expansion Fund. Three loan transactions having a value of $6,694,325 were authorized. The largest was a loan of $5.8 million to IMP Group International for the construction of an aircraft hangar at the Halifax International Airport in conjunction with the start up of CanJet, a regional airline. The other two loans were authorized to Superport Marine Services and LeBlanc Brothers Construction in the amount of $746,390 and $147,935 respectively. The loans were authorized under the credit facility approved in 1999–2000 to the Nova Scotia Boat Builders Association for the construction of prototype vessels for the offshore market. During the year, $12,943,00 was written off; $7.6 million of this amount related to loan forgiveness earned by Michelin under development incentive agreements relating to expansion of the company's Nova Scotia facilities. A write-off of $2.856 million was recognized in respect of Scotia Rainbow, a failed aqua-culture venture. The remaining amounts relate primarily to other loan forgiveness earned under incentive agreements.

Table 3

Authorizations by County

No. of Loans	County	Amount Approved	Employment
[illegible]	[illegible]	[illegible]	[illegible]
3	Colchester	1,470,000	197
1	Cumberland	38,850,000	450
2	Digby	1,050,000	184
4	Halifax	1,289,500	285
1	Hants	110,000	60
2	Kings	5,091,000	10
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Financial Statements

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Nova Scotia Business Development Corporation Fund
Auditor's Report

To the Members of the Legislative Assembly; and
To the Minister of Economic Development

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at March 31, 2001, and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of $6,461,000 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which might be determined to be necessary should Governor in Council not approve the amounts for write-offs, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001, and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 15 of the Business Development Corporation Act and the accounting policies detailed in Note 2 to the financial statements.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 6, 2001

2001

Province of Nova Scotia
Nova Scotia Business Development Corporation Fund
Balance Sheet

March 31	2001	(Restated) 2000
	(in thousands)	
Assets		
Loans and shares, at cost		
Loans receivable	$ 146,418	$ 152,312
Venture investments	7,014	7,030
Community Business Loan Program	3,152	3,920
Shares (Note 3)	17,437	16,461
	174,021	179,723
Less: Provision for concessionary assistance (Note 4)	14,352	18,303
Allowance for doubtful accounts	28,317	25,333
	42,669	43,636
	131,352	136,087
Industrial parks (Note 5)	22,053	23,973
Other assets	987	298
Less: Provision for decline in value	864	89
	123	209
Due from consolidated fund		
Guarantees (Note 6 and 7)	10,318	11,880
Less: Provision for payment under guarantees	5,444	3,434
	4,874	8,446
Assistance authorized but unadvanced	53,021	27,431
	57,895	35,877
	$ 211,423	$ 196,146
Funding Authorized and Committed		
Authorized, net of write-offs	$ 276,283	$ 285,768
Less: Provision for concessionary assistance and possible losses on assistance (Note 8)	48,977	47,159
Net fund balance	227,306	238,609
Less: Uncommitted balance of fund (Note 7)	15,883	42,463
	$ 211,423	$ 196,146

Contingencies (Note 9)

On behalf of the Board

Chairperson

President and C.E.O.

See accompanying notes to the financial statements.

Province of Nova Scotia
Nova Scotia Business Development Corporation Fund
Statement of Continuity of Fund

March 31	2001	(Restated) 2000
	(in thousands)	
Balance, beginning of year	**$ 285,768**	$ 294,595
Deduct: Accounts written off	**9,485**	8,827
Balance, end of year	**$ 276,283**	$ 285,768
Comprising:		
Loans receivable, shares and other assets	**$ 175,008**	$ 180,021
Industrial parks	**22,053**	23,973
Guarantees in effect and utilized	**10,175**	10,876
Loans and other investments authorized, but unadvanced and guarantees in effect but not utilized	**53,164**	28,435
Uncommitted balance	**15,883**	42,463
	$ 276,283	$ 285,768

See accompanying notes to the financial statements.

Province of Nova Scotia
Nova Scotia Business Development Corporation Fund
Notes to the Financial Statements

1. Authority

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the Fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Department of Economic Development.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b), (c), (f) and (g) below.

Administrative Expenses and Interest Revenue

(a) Administrative expenses of the Corporation and revenues earned on guarantees are included in the accounts of the Department of Economic Development and are not reflected in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in these financial statements.

Statement of Cash Flows

(b) A statement of cash flows is not provided since disclosure in the statements of continuity of the Fund and the balance sheet are considered adequate.

Current Assets

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Venture Investments

(d) Venture investments represent financial assistance (in the form of loans) to companies in emerging technology sectors and are primarily secured by interests in intellectual property and other assets. Venture investments are initially recorded at cost. These investments continue to be carried at cost unless there exists persuasive evidence of a decrease in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments.

Industrial Parks

(e) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using estimated market value. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.

(f) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.

(g) Operational responsibility for the industrial parks has been assigned to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

Other Assets

(h) Properties acquired through foreclosure are carried at the cost of acquisition and are subject to a provision for write down annually to estimated realizable value.

Provision for Concessionary Assistance

(i) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

(j) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Plan for which a blanket provision is determined based on prior years' loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

Use of estimates

(k) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Shares

	2001	2000
	(in thousands)	
Preferred shares	$ 14,329	$ 13,403
Common shares and equity interests	3,108	3,058
	$ 17,437	$ 16,461

4. Provision for concessionary assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Corporation.

The terms of concessionary assistance through the Corporation include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans and shares is as follows:

	2001			2000
			(in thousands)	
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value
Loans	$ 12,679	$ 7,409	$ 5,270	$ 5,255
Shares	12,426	6,943	5,483	5,513
	$ 25,105	$ 14,352	$ 10,753	$ 10,768

5. Industrial parks

These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include buildings which are mainly used as incubator malls.

No provision has been made to reflect on an individual park-by-park basis the difference between the carrying cost and fair market value. As at March 31, 2001 the cost of parks in excess of management's determination of market value totalled $6,242,644 (market value $2,606,364). The cost of parks where market value exceeded cost was $9,276,457 (market value $19,416,930). This results in an estimated net excess of current market value over carrying cost of approximately $6,504,193.

The balance of the cost of industrial parks of $6,534,297 is represented by the book value of the incubator malls, other buildings and property at March 31, 2001.

6. Guarantees

	2001	2000
	(in thousands)	
Guarantees – in effect and utilized	**$ 10,175**	$ 10,876
Guarantees – in effect but not utilized	**143**	1,004
	$ 10,318	$ 11,880

During the year, no guarantees were paid out.

7. Adjustment of prior year

In 1999, the Corporation authorized the guarantee of the indebtedness of a client. The client borrowing and consequently the guarantee were denominated in US currency. At the time of entering into the guarantee and the period since its authorization, the guarantee was recorded in the Corporation's books in Canadian currency. In the current year, management became aware of this error and have recorded the foreign currency translation adjustment. As a result of the adjustment, the amounts reported as guarantees as at March 31, 1999 and 2000 have been restated to reflect the Canadian dollar equivalent of the guaranteed loan. The impact of the adjustment has been to increase the guarantee amount by $1,233,120 and $1,005,834 for 1999 and 2000 respectively with a corresponding reduction in the balance of uncommitted funds.

The comparative figures for 2000 have been restated to reflect the correction of the error.

8. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	2001	2000
	(in thousands)	
Balance, beginning of year	**$ 47,159**	$ 47,397
Add: Current year provision	**11,303**	8,589
Deduct: Accounts written off	**9,485**	8,827
Balance, end of year	**$ 48,977**	$ 47,159

9. Contingencies

(a) Environmental remediation

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be reasonably determined and is not reflected in the financial statements.

(b) Litigation

The Corporation is defending two legal actions relating to:

i) a dispute in regard to an agreement of purchase and sale. The amount claimed is $600,000.

ii) the termination of a contract. No specific amount has been claimed.

In both cases counsel is unable to form an opinion at this early date in regard to the merit of these claims and consequently no provision for any possible losses has been recorded in these financial statements.

10. Restructuring

Legislation has been approved that would see the transfer of all assets of the Nova Scotia Business Development Corporation to a new entity to be known as Nova Scotia Business Inc. The sections of the legislation providing for this transfer have not yet been enacted. It is anticipated that these sections will be enacted in the 2002 fiscal year.

2001

Industrial Expansion Fund
Auditor's Report

To the Members of the Legislative Assembly; and
To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2001, and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Nova Scotia Business Development Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of $3,958,000 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which might be determined to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 2001, and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 8 of the Industrial Development Act and the accounting policies detailed in Note 2 to the financial statements.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 6, 2001

Province of Nova Scotia
Industrial Expansion Fund
Balance Sheet

March 31	2001	2000
	(in thousands)	
Assets		
Financial assets, at cost		
Loans – Industrial Development Act	$ 55,814	$ 69,689
Loans – Venture Corporations Act (Note 3)	2,086	2,127
Royalty rights (Note 4)	15,641	15,632
Shares (Note 5)	11,274	10,107
	84,815	97,555
Less: Provision for concessionary assistance (Note 6)	29,162	35,588
Allowance for doubtful accounts	8,453	9,680
	37,615	45,268
	47,200	52,287
Due from Consolidated Fund		
Guarantees (Note 7)	99,456	147,150
Less: Provision for payment under guarantees	4,616	3,349
	94,840	143,801
Assistance authorized but unadvanced (Note 8)	2,852	13,519
	97,692	157,320
	$ 144,892	$ 209,607
Funding Authorized and Committed		
Authorized, net of write-offs		
Industrial Development Act	$ 299,024	$ 311,967
Venture Corporations Act	5,685	5,685
Contributed Surplus (Note 9)	1,138	1,138
	305,847	318,790
Less: Provision for concessionary assistance and possible losses on assistance (Note 10)	42,231	48,617
Net Fund balance	263,616	270,173
Less: Uncommitted balance of Fund	118,724	60,566
	$ 144,892	$ 209,607

Contingency (Note 11)

On behalf of the Board

President and C.E.O. of the
Nova Scotia Business Development Corporation

See accompanying notes to the financial statements.

Province of Nova Scotia
Industrial Expansion Fund
Statement of Continuity of Fund under the Industrial Development Act

March 31	2001	2000
	(in thousands)	
Balance, beginning of year	$ 311,967	$ 332,449
Deduct: Accounts written off	12,943	20,482
Balance, end of year	$ 299,024	$ 311,967
Comprising:		
Loans, shares, rights and other assets	$ 81,661	$ 94,360
Guarantees in effect and utilized (Note 7)	85,056	40,767
Loans and other investments authorized, but unadvanced, and guarantees in effect but not utilized	17,252	119,902
Uncommitted balance	115,055	56,938
	$ 299,024	$ 311,967

See accompanying notes to the financial statements.

Province of Nova Scotia
Industrial Expansion Fund
Statement of Continuity of Fund under the Venture Corporations Act

March 31	2001	2000
	(in thousands)	
Balance, beginning of year	$ 5,685	$ 5,685
Deduct: Accounts written off	-	-
Balance, end of year	$ 5,685	$ 5,685
Comprising:		
Loans advanced	$ 2,086	$ 2,127
Uncommitted balance	3,599	3,558
	$ 5,685	$ 5,685

See accompanying notes to the financial statements.

Province of Nova Scotia
Industrial Expansion Fund
Statement of Continuity of Fund Under the Terms of the Canada-Nova Scotia Development Fund Agreement

March 31	2001	2000
	(in thousands)	
Balance, beginning of year	$ 1,138	$ 1,138
Deduct: disposal of acquired assets	-	-
Balance, end of year	$ 1,138	$ 1,138
Comprising:		
Loans advanced	1,068	1,068
Uncommitted balance	70	70
	$ 1,138	$ 1,138

See accompanying notes to the financial statements.

Industrial Expansion Fund
Notes to the Financial Statements

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Department of Economic Development.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b) and (c) below. Paragraphs (d), (e) and (f) describe significant accounting policies of the Fund.

Administrative expenses and interest revenue

(a) Administrative expenses of the Fund, and revenues earned on guarantees are included in the accounts of the Department of Economic Development and are not reflected in the financial statements. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in these financial statements.

Statement of cash flows

(b) A statement of cash flows is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

Current assets

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for concessionary assistance

(d) The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for doubtful accounts

(e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

Royalty rights

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Use of estimates

(g) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Venture Corporations Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. The Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion fund.

During the year $41,000 (2000 – $61,500) was received.

	2001	2000
	(in thousands)	
Loans made to venture corporations	$ 2,086	$ 2,127
Less: Allowance for doubtful accounts	1,856	1,671
	$ 230	$ 456

4. Royalty rights

During the year, the Fund provided funds of $9,000 (2000–$5,641,000) to companies under royalty agreements to provide a return on its investment. The royalty payments are based upon net sales of the companies.

5. Shares

	2001	2000
	(in thousands)	
Preferred shares	$ 7,384	$ 7,384
Common shares	3,890	2,723
	$ 11,274	$ 10,107

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

6. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance provided by the Fund has included low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision of concessionary assistance and net book value related to loans and shares are as follows:

	2001			2000
			(in thousands)	
	Assistance Outstanding	**Provision for Concessionary Assistance**	**Net Book Value**	Net Book Value
Loans	**$ 43,031**	**$ 26,567**	**$ 16,464**	$ 18,725
Shares	**3,884**	**2,595**	**1,289**	1,289
	$ 46,915	**$ 29,162**	**$ 17,753**	$ 20,014

7. Guarantees

Guarantees have been provided for the following purposes:

	2001	2000
		(in thousands)
Authorized		
Bank loan guarantees	**$ 99,456**	$ 147,150
In effect and utilized		
Bank loan guarantees	**$ 85,056**	$ 40,767
In effect but not utilized	**14,400**	106,383
	$ 99,456	$ 147,150

8. Assistance authorized but unadvanced

	2001	2000
		(in thousands)
Loans	**$ 2,852**	$ 12,352
Shares	**-**	1,167
	$ 2,852	$ 13,519

9. Contributed surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada–Nova Scotia Development Fund Agreement. Loans granted under this agreement require Federal Government approval before they can be written-off or forgiven. The Province has asked for permission to write-off the loans, as of the auditors' report date there has been no response from the Federal Government.

10. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	2001	2000
	(in thousands)	
Balance, beginning of year	$ 48,617	$ 59,407
Add: Current year provision	6,557	9,692
Deduct: Accounts written-off	12,943	20,482
Balance, end of year	$ 42,231	$ 48,617

11. Contingency

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

Appendix 1

Nova Scotia Business Development Corporation Client List

3-D Auto Parts Limited
A & L Seafoods Limited
ACA Co-Operative Limited
ACS Trading Inc.
Actipharm Incorporated
Advanced Materials
Adventus Inc.
Aftermath Television
Agricultural Enterprises
Amherst Bowl-O-Rama
Amos and Andy Fisheries
Annapolis Basin Seafoods
Antigonish Kitchens Limited
Apple Valley Foods
ArgoKings Canada Limited
Atkinson & Bower Limited
Atlantech Extrusion Limited
Atlantic Beach Resort
Atlantic Confections Limited
Atlantic Low Temperature Systems
Atlantic Marine Pavilion
Atlantic Pearl Seafoods Limited
Aurora Inn Ltd.
Avon Spirit Incorporated
A.F. Theriault & Sons Limited
A.F.T. Sawmill Limited
Baddeck Small Engine Repair
Barry E. Bartlett
Bartlett Plastics Limited
Bebbington Chemicals
Beinn Bhreagh Houseboats
Bell Bay Golf Development
Blue Mist Pewter
Blue Wave Seafoods Limited
Brad's Sales & Services Limited
Britex Group Limited
Brocklin Toys Limited
B. A. Fraser Lumber
Canso Tire Limited
Casey Fisheries Limited
Causeway Autobody
Causeway Electrical Limited
Chemcor Atlantic
Cheticamp Motel
Classic Cheesecake
Clearwater Fine Foods
Coastal Van & Storage
Cobi Foods Inc.
Cochran Marine Limited
Cock, Eldon R.
Community Lodge Incorporated
Copol International
Crossley Carpet
Crowell Eel Processors
Darmos Enterprises
Data Home Systems
Dave Smith Jr. Auto
Day-Nite Neon Signs
Dennis Haverstock
Dixon's Boatbuilding
Duck Cove Inn Limited
East Coast Ropes Limited
Eastcan Geomatics
Eastern Protein Food
EBF Manufacturing
ECI Medical Technologies
Electric Motor Shop
Eric's Engine Shop
Family Fries Limited
Finger Tek Inc.
Fleur de Lis Motel
Forest Insight Limited
Fundy Fiberglass Limited
G J D E Enterprises Limited
G W Reid Well Driling
Global Forwarding
Golf Street Collision
Granville Gates & Sons
Gulf Protective Coatings
Gulf Trading Limited
H MacPherson's Deli
H & H Fisheries
Han Beck Sea Produducts
Harry Freeman & Son
Hawbolt Industries Limited
Helix Animation Inc.
Heritage Stairway Limited
High Liner Foods Inc.
Highland Heights Inn
Holdright Lumber Products
Homburg Uni-corp
Homestead Kitchens
Huston's The Butcher
IMP Aerospace Components
IMS Gosby
IMX Divine Ryans
IMX New Waterford Girls
Inland Technologies
Interhabs Ltd.
Island Fresh Seafoods
Island Resources Limited
ITC Canada
James Bagnell's Laundry
John's Cove Fisheries
John D Steele's
Jones, Marilyn & Kenzie
Julien's Pastry
K P C K May Holdings
Kelly Rock Limited
Ken-O-Mee Log Homes
Ken Norwood Auto
Kenneth & Charlotte Jones
Kerr Heating
L & A Electric Limited
Lanceleve Victoria
Laurie's Motel Ltd
Levy's Handcrafts
Lewis Moulding
Little Red Restaurant
Lobster Treat Limited
Loeffler International
Lunenburg County Shipwrights Inc.
Lunenburg Foundry
Lynx Minerals Corp
MacDonald, John A.
Mactara
Marathon Bakery
Maritime Greetings
Maritime Tractor Refurbishing
Mark-Lyn Construction Limited
Mary Tay Foods Limited
Mermaid Motel Limited
Mid Valley Motel
Minas Basin Pulp And Power
Mitchell's Sharpening
Mountain Gap Inns
Multi Mesh Distribution
Municipality of the County of Queens
M.P. Valley Lumber
Neil Nickerson Fisheries
Neocon
Nova Biocapital Inc.
Nova Scotian Crystal
Nova Ski Limited
Novatec Braids Inc
Nu-Air Ventilation
N.W.P. Industries
Ocean Nutrition Canada
Oceanstone Inn & Cottages
Odyssey Cape Breton
Old Orchard Inn Limited
Oxford Frozen Food
Peterbilt of Nova Scotia
Phase Remediation
Pictou County Sandstone Quarry
Polysteel Inc.
Premium Seafoods Limited
Prestige Incorporated
Pubnico Lake Holdings
Pure Energy Battery
QuantaNova Canada
R P Hawboldt Machining
R W Hayman Logging
Rainbow Farms Limited
Region of Queens Municipality
Reid's Garage & Towing
Reinforced Plastic
Royal Print & Packaging
R. Baker Fisheries
R.P. Hawboldt Machining
S Jachimowicz Limited
Sainte Famille Winnes
Sambro Fisheries Limited
Schaffner Enterprises Limited
Schooner Seafoods
Scotia Farm Services
Scotian Gold Co-Op
Seal Island Restaurant
Shaw Wood Industries
Showcase Nova Scotia
SP Container
Spa Springs
St Ann's Lobster Gallery
Stewiacke Hardware
Stonehouse Motel
St. Peter's Fish Hatchery
Sunrise Stables
SuperMax Inc.
Superport Marine Services
Swedwood Canada Limited
Sydney Engine
T W Pultrusion Limited
Tara Lobsters Inc.
Tatamagouche Home
Telesis Communications
Telfer & Wilson
The Book Fair Murders
Tibbets Paints Limited
TIM Dealers Services
Tingley Monuments
Total Recycling
Tri-Star Industries
Two-Tech Forestry
Two Rivers Lumber
Valley Industries
Valley Vista Golf
Van Den Hoek, Wilhem
Victoria Bridge Holdings
Village Developments Limited
Vintage Mouldings
W A MacLeod & Sons
Warp Tech Incorporated
Wearwell Garments
White Point Holdings
White Sails Bakery
William J. Brown
Willow Bend Motel
Windsor West Hants

Appendix 2

Nova Scotia Business Development Corporation
Financial Assistance Authorized 2000-2001

Client	Amount Authorized	Purpose
Darmos Enterprises International Ltd.	150,000	Fixed asset expansion
River's Bend Wood Products	225,000	Fixed asset expansion
Forest Insight (2000) Ltd.	250,000	Expansion of production facility
Stewiacke Hardware & Building Supplies Ltd	340,000	New fabrication facility
Bartlett's Plastics & Precision Machining Inc.	135,000	Equipment
Inland Technologies Canada Inc.	1,000,000	Expansion Financing
Oxford Frozen Foods Limited	38,850,000	Major Plant And Equipment Expansion
Annapolis Basin Seafoods	50,000	Working Capital
Islandfresh Seafoods Inc.	1,000,000	Purchase Of Preferred Shares
Levi Fiberglass Products Limited	148,500	Fixed Asset Expansion
Amos & Andy Fisheries Ltd.	100,000	Construction Of Ice Making Facility
Heritage Stairways Limited	41,000	Equipment Purchase
Mactara Limited	1,000,000	Working Capital
S. Jacimowicz Limited	110,000	Fixed Asset Addition
Mark-lyn Construction Limited	91,000	Land Acquisition
Nova Biocapital Inc.	5,000,000	Restructuring Of Existing Financing
Hubbards Cove Inn Ltd. (Tbi)	250,000	Fixed Asset Addition
Warptech Incorporated	75,000	Equipment Financing
Ocean Pride Fisheries Limited	151,500	Fixed Asset Additions
	48,967,000	